Researchers reveal how NFL game outcomes affect stock returns of stadium sponsors

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An examination of NFL stadium sponsorships and sponsors' stock returns finds that immediately following high-interest games, the stadium sponsoring companies celebrate or suffer their own financial wins or losses, depending on the performance of the home team. It's believed this market reaction, at least in part, is a result of sentimental investing. The research by Assaf Eisdorfer, an associate professor of finance in the University of Connecticut's School of Business, and Elizabeth Kohl, an assistant professor of accounting in the University of Cincinnati's Carl H. Lindner College of Business, is viewable online in an upcoming issue of the academic journal, *Critical Finance Review*.

The study finds that on the next trading day following a home team win in a televised Monday night game, the team's stadium sponsor earns a stock return that is on average higher by 0.51 percent than if the team had lost.

For post-season games the effect is even stronger; the losing teams' sponsors earn an average abnormal return lower by 0.82 percent than that of the winning teams' sponsors, although the returns are negative both after wins and losses (-0.19 and -1.01 percent, respectively). The authors explain this by the crucial impact a post-season game loss has on the team, as it eliminates the team from the playoffs and ends its season.

Games with unexpected outcomes (classified by pre-game betting spreads and past performances) showed a similar effect. The sponsor of the home team earned on average a positive abnormal return after wins and a negative abnormal return after losses, yielding a significant win-loss difference of 0.81 percent in the next trading day. "This emphasizes the importance of the element of surprise in moving the stock prices of the sponsoring companies," states the article.

The study involved the collection of detailed data on 3,399 games (including 1,710 home games) during the pre-seasons, regular seasons and post-seasons of 21 teams with 26 sponsoring companies from 1997 through 2013.

The authors say they focused their study on the NFL for several reasons, including its soaring popularity in the U.S. and that televised NFL games earn the highest ratings among all major sports. Furthermore, 21 home stadiums out of a total of 32 NFL teams are sponsored by publicly traded companies. "And very essential to this study, the importance of a single game in the NFL is very high, relative to other major sports in the U.S., because the NFL season is very short - 16 games, compared with at least 82 games in other sports such as professional basketball," says Eisdorfer, who adds that post-season in the NFL is also high-stakes because of the one-game progression towards the championship, compared with the playoff series progressions in other major sports.

"A dramatic view of the stadium and an announcement of the stadium's name occurs after almost every commercial break during a televised game," says Kohl. "So then there's this sentiment - I associate the sponsoring company with the stadium and with the team - and we find that what happens on the field affects the financial market value of the company. We're not seeing these abnormal returns after away games, which supports the position that there's a sentiment component to the market reaction."

Stadium sponsorships are a substantial investment. The researchers report that the average price for acquiring stadium naming rights in the

U.S. National Football League is $120 million for an average period of 17 years. "Our study finds that the reaction to significant investment in NFL stadium sponsorship extends beyond the initial announcement date," says Eisdorfer, "and to the ongoing home games played in the stadium itself."

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